

**AUDUBON COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Independent Auditors' Reports
Financial Statement
and Other Information
Schedule of Findings**

June 30, 2016

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

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AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Penny Schmidt	Chairperson	Gray Representative
Lora Anthofer	Vice Chairman	County Representative
Duane Deist	Member	County Representative
Jessica Hoegh	Member	Kimballton Representative
Lee Jensen	Member	Audubon Representative
Janet Hansen	Director	

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS

**RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMACK
KARLA L. FULTON
TAMMY M. BRUCH
ROBERT L. MUHLBAUER**

**1127 PLAZA DR.
VILLAGE PARK EAST
CARROLL, IOWA 51401
712-792-4314
FAX 712-792-4503**

INDEPENDENT AUDITORS' REPORT

To the Members of the Audubon County
Solid Waste Management Commission
Audubon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statement of the Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2016, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Audubon County Solid Waste Management Commission as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

The other information, Management's Discussion and Analysis, the Schedule of commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 6 – 9 and has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2016 on our consideration of Audubon County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Audubon County solid Waste Management Commission's internal control over financial reporting and compliance.

Olsen, Muhlbauer & Co., LLP

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

December 13, 2016

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Management's Discussion and Analysis

Audubon County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Audubon County Solid Waste Management Commission is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2016 FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating receipts increased 16.8%, or approximately \$41,500, from fiscal 2015 to fiscal 2016.
- ◆ The Commission's operating disbursements decreased approximately \$17,300, or 5.3%, from fiscal 2015 to fiscal 2016.
- ◆ The Commission's cash balance decreased 2.5%, or approximately \$19,000, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the basic financial statement.
- Other information further explains and supports the Commission's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year-

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Management's Discussion and Analysis

end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in the Commission's cash balance.

Statement of Cash Receipts, Disbursements and Changes in Cash Balance (Continued)

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the transfer station. Non-operating receipts and disbursements are for interest on investments and capital improvements. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2016 and June 30, 2015 are as follows:

Changes in Cash Balance		
	Year Ended June 30,	
	2016	2015
Operating Receipts:		
Tipping Fees and Gate Charges	164,098	142,903
Member Assessments	84,991	84,992
Recycling Revenue	37,080	16,905
Miscellaneous	3,146	2,505
Total Operating Receipts	289,315	247,305
Operating Disbursements:		
Salaries and Benefits	142,898	152,686
Landfill Disposal Fees	61,720	52,940
Engineering	11,700	10,550
Other	93,596	110,926
Total Operating Disbursements	309,914	327,102
Excess of Operating Disbursements Over Operating Receipts	(20,599)	(79,797)
Non-operating Receipts (Disbursements)		
Sale of Equipment	0	3,500
Interest on Investments	1,601	1,739
Net Non-operating Receipts (Disbursements)	1,601	5,239
(Decrease) in Cash Balance	(18,998)	(74,558)
Cash Balance Beginning of Year	766,498	841,056
Cash Balance End of Year	747,500	766,498
Cash Basis Fund Balance:		
Restricted for:		
Closure	16,288	16,224
Postclosure care	552,464	538,324
Total Restricted Cash Basis Fund Balance	568,752	554,548
Unrestricted	178,748	211,950
Total Cash Basis Fund Balance	747,500	766,498

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Management's Discussion and Analysis

Statement of Cash Receipts, Disbursements and Changes in Cash Balance (Continued)

In fiscal year 2016, operating receipts increased \$42,010, over fiscal year 2015. Tipping fees and gate charges increased by \$21,195 while recycling revenue increased \$20,175. In fiscal year 2016, operating disbursements decreased by \$17,188 from fiscal year 2015. The decrease in disbursements was primarily due to expenses for insurance, payroll and monitoring.

A portion of the Commission's cash balance, \$568,752 (76%), is restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Regulations also require the Commission to set aside funds for the estimated cost of closing the transfer station, if and when that occurs. The remaining cash balance, \$178,748 (24%) is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance increased \$14,204, (net of interest income) or 3%, during the year. The unrestricted cash balance decreased \$33,202, or 19%, during the year.

The decrease in restricted cash is due primarily to previously set aside funds being expended for post closure costs of the landfill as follows:

General Site Facilities and Maintenance	\$ 115
Gas Control System Monitoring	1,050
Water Quality Monitoring	12,419
Leachate Management	10,416
Leachate Control Systems Evaluations	400
Engineering and Technical Services	700
Financial Assurance and Accounting	<u>500</u>
Total	<u>\$ 25,600</u>

Allowing for the landfill-related costs, the operations of the transfer station itself resulted in approximately \$5,000 in profit.

LONG-TERM DEBT

At June 30, 2016 the Commission had no long-term debt outstanding.

ECONOMIC FACTORS

The financial position of the Commission did not improve in the current fiscal year. The Commission completed landfill closure requirements during fiscal 2010. In conjunction with this action, the Commission is operating a transfer station, which will temporarily hold waste until its delivery to a liner compliant landfill. During fiscal year ended June 30, 2016, about 2,359 tons of waste was delivered from the transfer station. Some of the realities which may potentially become challenges for the Commission to meet are:

- ◆ Budgeting, anticipating increases in cost and fluctuating revenues due to items such as markets for recyclable materials.
- ◆ Facilities require constant maintenance and upkeep.
- ◆ Reacting to changes in regulatory requirements.

The Commission anticipates the current fiscal year financial results to be much like the past year. The Commission will maintain a close watch over resources to maintain our ability to react to unknown issues.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Management's Discussion and Analysis

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Audubon County Solid Waste Management Commission, 1881 215th St., Audubon, Iowa.

FINANCIAL STATEMENT

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance
For the Year Ended June 30, 2016

Operating Receipts:		
Tipping Fees and Gate Charges	164,098	
Member Assessments	84,991	
Recycling Revenue	37,080	
Miscellaneous	3,146	
<u>Total Operating Receipts</u>		289,315
Operating Disbursements:		
Salaries and Benefits	142,898	
Landfill Disposal Fees	61,720	
Regulatory Assistance/Engineering	11,700	
Recycling	13,257	
Insurance	17,283	
Building and Equipment Maintenance	32,679	
Landfill Maintenance	14,224	
Meeting Expenses	1,673	
Legal, Accounting and Auditing	4,626	
Travel, Education, and Training	1,067	
Utilities	5,272	
Office Equipment and Supplies	2,383	
Miscellaneous	1,131	
<u>Total Operating Disbursements</u>		309,913
Excess of Operating Disbursements Over Operating Receipts		(20,599)
Non-operating Receipts (Disbursements)		
Interest on Investments	1,601	
<u>Net Non-operating Receipts</u>		1,601
Change in Cash Balance		(18,998)
Cash Balance - Beginning of Year		766,498
<u>Cash Balance - End of Year</u>		<u>747,500</u>
Cash Basis Fund Balance		
Restricted for:		
Closure		16,288
Post Closure		552,464
Total Restricted Cash Basis Fund Balance		568,752
Unrestricted		178,748
<u>Total Cash Basis Fund Balance</u>		<u>747,500</u>

The accompanying notes are an integral part of this financial statement.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The Audubon County Solid Waste Management Commission was formed in 1991 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste and recycling facilities in Audubon County on behalf of the units of government which are members of the Commission. During 2010, the operation transitioned from an operating landfill to a transfer station, and commenced closure activities on the existing landfill.

The governing body of the Commission is composed of five commissioners. The commissioners are appointed by the participating political subdivisions as follows: one commissioner shall be a resident of the City of Audubon who has five votes; one commissioner shall be a resident of the City of Gray who has one vote; one commissioner shall be a resident of the City of Kimballton who has one vote; and two commissioners for the unincorporated area of Audubon County, one of whom shall be a member of the Audubon County Board of Supervisors who resides within the rural area and has three votes with the non-Board commissioner having four votes.

Reporting Entity

For financial reporting purposes, the Audubon County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units, which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Audubon County Solid Waste Management Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

Cash Basis Fund Balance

Funds set aside for payment of closure and postclosure care are classified as restricted.

Note 2 – Cash and Investments

The Commission's deposits at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. The Commission's investments at June 30, 2016 are as follows:

Iowa Public Agency Trust (Value per Treasurer)	\$ 9,936
Certificates of Deposit or Passbook Savings held by Audubon County Solid Waste Management Commission	<u>623,941</u>
	<u>\$ 633,877</u>

The Commission uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

In addition, the commission had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$9,936 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Commission's investment in IPAIT is unrated.

The Commission had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 2 – Cash and Investments (Continued)

Interest rate risk - The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that generally mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Commission.

Note 3 – Pension Plan

Plan Description

IPERS membership is mandatory for employees of the Commission except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 3 – Pension and Retirement Benefits (Continued)

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Commission contributed 8.93 percent for a total rate of 14.88 percent.

The Commission's contributions to IPERS for the year ended June 30, 2016 were \$8,428.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Commission's liability for its proportionate share of the net pension liability totaled \$68,576. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Commission's proportion was 0.001379 percent, which was a decrease of 0.000053 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Commission pension expense, deferred outflows and deferred inflows totaled \$5,781, \$(3,070), \$21,284, respectively.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 3 – Pension and Retirement Benefits (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24%	6.29%
International equity	16%	6.75%
Private equity/debt	11%	11.32%
Real estate	8%	3.48%
Credit opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other real assets	2%	6.24%
Cash	1%	-0.71%
Total	<u>100%</u>	

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 3 – Pension and Retirement Benefits (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Commission's proportionate share of the net pension liability	120,065	68,576	25,116

IPERS Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 4 – Other Postemployment Benefits

The Commission has no retirees eligible for any plan benefits.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement

June 30, 2016

Note 5 – Closure and Post-closure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Audubon County Solid Waste Management Commission have been estimated at \$9,350 for transfer station closure and \$542,300 for postclosure, for a total of \$551,650 as of June 30, 2016.

As described in Management's Discussion and Analysis, the Commission voted to stop accepting waste in 2010 and has completed its closure plan.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30, 2016, assets of \$568,752 are restricted for these purposes, of which \$16,288 is for closure and \$552,464 is for postclosure care. They are reported as restricted net assets on the Statement of Receipts, Disbursements and Changes in Cash Balance.

The Commission has demonstrated financial assurance by fully funding the estimated postclosure care costs.

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 6 – Solid Waste Tonnage Fees Retained

The Commission has established two accounts for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2016, the Commission had \$7,361 on deposit for those fees, all of which will be expended for allowable purposes.

Note 7 – Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2016, were \$10,957.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 7 – Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond coverage in the amount of \$50,000. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 – Transfer Station Closure Care

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total closure care costs for the Commission, as of June 30, 2016, have been estimated at \$9,350. The financial assurance account has been funded with deposits in the amount of \$16,288 which are shown as restricted net assets.

Note 9 – Subsequent Events

Management has evaluated subsequent events through December 13, 2016, the date which the financial statements were available for issue.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statement June 30, 2016

Note 10 – Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payments at June 30, 2016 was \$5,916. This liability has been computed based on rates of pay in effect at June 30, 2016.

Note 11 – New Accounting Pronouncement

The Commission adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

OTHER INFORMATION

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of the Commission's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*

Other Information

	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.001379%	0.001326%
Commission's proportionate share of the net pension liability	68,576	53,769
Commission's covered-employee payroll	94,379	95,094
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.66%	56.55%
Plan fiduciary net position as a percentage of the total pension liability	81.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Commission Contributions

Iowa Public Employees' Retirement System Last 10 Fiscal Years

	Other Information			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	8,428	8,492	8,908	8,976
Contributions in relation to the statutorily required contribution	<u>(8,428)</u>	<u>(8,492)</u>	<u>(8,908)</u>	<u>(8,976)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Commission's covered-employee payroll	94,379	95,094	99,753	103,529
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
9,699	6,592	6,446	6,261	4,314	3,227
<u>(9,699)</u>	<u>(6,592)</u>	<u>(6,446)</u>	<u>(6,261)</u>	<u>(4,314)</u>	<u>(3,227)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
120,186	94,849	96,932	98,598	71,306	56,122
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Other Information - Pension Liability

Year Ended June 30, 2016

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection group for future service only.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS

**RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMACK
KARLA L. FULTON
TAMMY M. BRUCH
ROBERT L. MUHLBAUER**

**1127 PLAZA DR.
VILLAGE PARK EAST
CARROLL, IOWA 51401
712-792-4314
FAX 712-792-4503**

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the Audubon County
Solid Waste Management Commission

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2016, and the related notes to financial statement, and have issued our report thereon dated December 13, 2016. Our report expressed an unmodified opinion on the financial statement, which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Audubon County Solid Waste Management Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Audubon County Solid Waste Management Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Audubon County Solid Waste Management Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Audubon County Solid Waste Management Commission's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Audubon County Solid Waste Management Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2016, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Audubon County Solid Waste Management Commission's Responses to Findings

Audubon County Solid Waste Management Commission's written responses to findings in our audit are described in the accompanying Schedule of Findings. The Audubon County Solid Waste Management Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion of the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Audubon County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbauer & Co., LLP

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

December 13, 2016

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings Year ended June 30, 2016

Findings Related to the Financial statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has the potential to be involved in billing, deposit preparation, signing checks, posting transactions to accounting records and reconciling bank accounts.

Recommendation – The Commission should review its procedures to provide the maximum control possible through review of financial transactions including activity in customer accounts, approval of new bank accounts and investments and review of supporting documentation for disbursements.

Response – The Commission will review current procedures and strengthen oversight where practical.

Conclusion – Response accepted.

- (B) Financial Reporting – We believe that a material weakness in internal control over financial reporting exists in the Commission's financial statement close process for preparing its year-end financial statements including the lack of expertise to prevent, detect and correct potential material misstatements to the financial statements on a timely basis.

Recommendation – The Commission should implement procedures to review its receipts and disbursements for the year in a more timely manner.

Response – We will use all available resources to ensure accurate information is available for financial statement preparation.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- 1) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- 2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- 3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 4) Deposits and Investments – No instance of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- 5) Solid Waste Tonnage Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provision of Chapter 455B.310 of the Code of Iowa were noted.
- 6) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	<u>Landfill Postclosure</u>	<u>Transfer Station Closure</u>
Total estimated costs for closure and postclosure care	542,300	8,412
Less: Balance of funds held in the local dedicated fund at June 30, 2015	<u>558,900</u>	<u>16,160</u>
	(16,600)	(7,748)
Divided by the number of years remaining in the pay-in period	<u>÷ 1</u>	<u>÷ 1</u>
Required payment into the local dedicated fund for the year ended June 30, 2016	0	0
Balance of funds held in the local dedicated fund at June 30, 2015	<u>538,324</u>	<u>16,224</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2016	<u>542,300</u>	<u>8,412</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2016	<u>552,464</u>	<u>16,288</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts to be made at least annually within 30 days of the close of each fiscal year. Required deposits have been made at June 30, 2016.